

FISCAL NOTE

SB 292 - HB 209

March 24, 2005

SUMMARY OF BILL: Exempts the sale of hybrid-electric vehicles and vehicles meeting California Air Resources Board (CARB) standards from sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$5,200,000

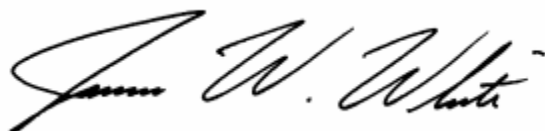
Decrease Local Govt. Revenues - \$380,000

Assumptions:

- J.D. Power and Associates project sales of hybrid and zero-emission vehicles to be 200,000 in 2005.
- Tennessee has 2% share of national market.
- Estimated sales in Tennessee are 4,000 vehicles.
- Average price of vehicle is \$18,000.
- Estimated tax base is \$72,000,000.
- State sales tax rate of 7% of retail sales price.
- Single article state tax of 2.75% for amount above \$1,600 and below \$3,200.
- Average local option tax cap is \$40.
- Estimated tax collection for 7% sales tax is \$5,040,000 ($\$72,000,000 \times 7\% = \$5,040,000$).
- Estimated tax for 2.75% single article tax is \$176,000 ($\$1,600 \times 4,000 \text{ units} \times 2.75\% = \$176,000$).
- Total estimated decrease in state revenues is approximately \$5,200,000 ($\$5,040,000 + \$176,000 = \$5,216,000$).
- Decrease in local government revenues from tax exemption is estimated at \$160,000 ($4,000 \text{ vehicles} \times \$40 \text{ tax cap} = \$160,000$).
- Decrease in local government revenues from reduced state-shared taxes is estimated at \$220,000 ($\$5,200,000 \times 4.2462\% = \$220,802$).
- Net decrease to local government revenues is estimated at \$380,000 ($\$160,000 \text{ from local tax exemption} + \$220,000 \text{ from reduced state-shared revenue} = \$380,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director